

**NAMA KHOI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

GENERAL INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Nama Khoi Local Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

EXECUTIVE COMMITTEE

Mayor

WT Cloete (resigned 31 August 2012)
SW Lubbe (appointed 1 September 2012)

Councillors

KR Groenewald
EF Maritz
FX Cupido
V van Dyk
S Kleinbooi
G Cloete
SD Hoskin
WJ Goedeman
AM Magerman
SJC van Wyk
JC Losper
WT Cloete
WS Jordaan
GJ Coetzee

CHIEF FINANCE OFFICER (CFO)

NP Mdaka

ACCOUNTING OFFICER

NA Baartman

REGISTERED OFFICE

P.O. Box 17
Springbok
8240

BUSINESS ADDRESS

Namakwa Street 4
Springbok
8240

POSTAL ADDRESS

PO Box 17
Springbok
8240

BANKERS

ABSA Bank

AUDITORS

Auditor General - Northern Cape
Registered Auditors

ATTORNEYS

Bouwer & Kie
JA Prinsloo
Neville Cloete Attorneys Inc.
Jooste Attorneys
Schreuders
Van der Vaal & Partners

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

INDEX

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

INDEX	PAGE
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
Accounting Officer's Report	8 - 9
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Accounting Policies	14 - 40
Notes to the Annual Financial Statements	41 - 80
Appendixes:	
Appendix A: Schedule of External loans	81
Appendix B: Analysis of Property, Plant and Equipment	83
Appendix D: Segmental Statement of Financial Performance	89
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	91
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	94

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

INDEX

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on pages 8 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed by:

NA Baartman
Municipal Manager

Springbok

31 August 2013

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

AUDIT COMMITTEE REPORT

Chairperson of the Audit Committee

Date: _____

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING OFFICER'S REPORT

1. REVIEW OF ACTIVITIES

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and.

Net deficit of the municipality was R 8 030 067 (2012: deficit R 12 098 862).

2. GOING CONCERN

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 303 291 584 and that the municipality's total liabilities exceed its assets by R 303 291 584.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. SUBSEQUENT EVENTS

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. ACCOUNTING OFFICER

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
NA Baartman	South African

6. AUDITORS

Auditor General - Northern Cape will continue in office for the next financial period.

7. PERFORMANCE MANAGEMENT

The Municipality only established a Performance Management Unit as from 01st March 2012. Before the establishment of the unit, no performance management systems were in place and no responsible person was assigned. As from 1st of April the new established Performance Management unit started by developing a Performance Management Policy Framework.

The performance Management Policy Framework was adopted and approved by Council on the 28th of June 2012. The Policy Framework will be reviewed in June 2013, however not approved by council in terms of new additions to the Policy Framework.

The SDBIP which is a plan that converts the IDP and budget into measureable criteria on how, where and when the strategic, objectives and normal business process of the municipality is implemented. The organisational performance was measured by means of a municipal scorecard at organisational level and through the SDBIP at directorate level and departmental levels. The municipality's SDBIP was measured through the E-perform system (electronic system). However the E-perform electronic system was only fully functional as from 3rd quarter 2013.

The following shortcomings will be addressed in the following year (2013/14):

- Public participation processes and mechanism in measuring of performance and setting of key performance areas.
- Process of measuring the performances of service providers of the municipality.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING OFFICER'S REPORT

8. ASSET MANAGEMENT

The introduction of the MFMA and GRAP highlights the importance of assets to the success or failure of a municipality and gives proper recognition to the standing of asset management as a critical, multifaceted business process and the need to for appropriate funding of asset activities. National Government is serious about achieving clean audits, and has set the target to achieve a clean audit by 2013/2014. Provincial government, municipal councils, audit committees, municipal managers and CFO's across the country are all anxious receiving clean audits.

Nama Khoi Municipality has reconstructed the Asset Register as at 30 June 2013 to be GRAP compliant under tight time constraints and are subsequently not confident of the completeness of the data of the previous financial years.

The amount of Asset additions for 2012/2013 amount to the following of which we can vouch for in 2012/2013, is as follows:

Asset Control Accounts (BS) in General Ledger	R21 575 751.29
Asset Register	R21 575 751.29

ASSET REGISTER IMPLEMENTATION PLAN 2013/2014

Task 1 - Unbundling, Componentised and Valuation of Infrastructure and Community Asset. Bulk uploading and cleaning of data as well as Data Gap filling using informed engineering and scientific projection and calculations where information is not available. The valuation reports and methodology to support existence amounts on the AR should still be completed.

Person Responsible - Engineering Consultant with expertise in Valuation in Infrastructure assets of Municipalities
Target Date - October 2013 – February 2014

Task 2 - Physical verification of Other assets/ Loose movable assets 2013/2014

Person Responsible - In house
Target Date - September 2013 – May 2014

Task 3 - Reconcile the reconstructed GRAP Compliant Asset Register 2013/2014 with comparative balances

Person Responsible - Consultants or In house
Target Date - July 2014

Additions for 2013/2014 will be continuously updated to the AR and bar coding of loose will take place on a day to day basis as part of the improved control environment relating to assets.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

Figures in Rand	Note(s)	2013	2012
ASSETS			
CURRENT ASSETS			
Inventories	10	1 060 117	1 404 839
Operating lease asset	6	271 182	239 320
Receivables from non-exchange transactions	11	7 539 876	4 930 203
VAT receivable	12	9 237 573	-
Receivables from exchange transactions	13	17 453 323	4 555 717
Unpaid conditional government grants and receipts	9	-	1 185 933
Cash and cash equivalents	14	12 090 655	17 560 801
		47 652 726	29 876 813
NON-CURRENT ASSETS			
Investment property	3	265 345	276 442
Property, plant and equipment	4	385 733 548	379 773 747
Intangible assets	5	145 806	35 544
Long term receivables	8	493 987	358 630
		386 638 686	380 444 363
Total Assets		434 291 412	410 321 176
LIABILITIES			
CURRENT LIABILITIES			
Finance lease obligation	15	241 768	313 466
Payables from exchange transactions	21	75 507 731	39 170 313
VAT payable	22	-	780 657
Retirement benefit obligation	7	302 338	488 194
Unspent conditional grants and receipts	16	6 066 492	14 551 869
Provisions	17	6 312 687	4 684 691
Unspent conditional public contributions and receipts	18	40 362	40 362
Consumer deposits	19	1 458 436	1 383 135
Current portion of long term liabilities	20	2 158 268	1 549 028
		92 088 082	62 961 715
NON-CURRENT LIABILITIES			
Finance lease obligation	15	591 098	504 399
Retirement benefit obligation	7	15 913 403	15 295 547
Provisions	17	19 547 640	13 278 662
Long term loan	20	2 859 605	5 025 531
		38 911 746	34 104 139
Total Liabilities		130 999 828	97 065 854
Net Assets		303 291 584	313 255 322
Accumulated surplus		303 291 584	313 255 322

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2013	2012
Revenue			
Service charges	25	95 274 269	69 656 844
Rental of facilities and equipment	24	2 041 159	890 201
Income from agency services		1 162 730	1 096 664
Licences and permits		1 120 706	1 120 091
Miscellaneous other revenue		739 009	596 779
Amortised discount		-	6 493
Other income		3 520 066	2 891 954
Interest received - investment		2 415 941	1 940 455
Property rates	24	21 143 179	22 194 992
Government grants & subsidies	26	60 333 446	62 003 341
Fines		132 107	94 756
Actuarial gain / (loss)		1 569 700	(383 931)
Total revenue		189 452 312	162 108 639
Expenditure			
Personnel	30	(61 964 729)	(53 563 037)
Remuneration of councillors	31	(4 684 878)	(4 226 523)
Depreciation and amortisation	33	(15 624 571)	(13 463 357)
Impairment loss/ Reversal of impairments	34	(1 314 705)	(8 680 776)
Finance costs	35	(10 049 375)	(3 751 177)
Collection costs		-	(26 126)
Repairs and maintenance		(5 937 754)	(6 247 911)
Bulk purchases	40	(71 781 179)	(56 125 869)
Contracted services	38	(614 165)	(1 329 249)
Grants and subsidies paid	39	(4 120 439)	(9 872 280)
Loss on disposal of assets	39	-	(52 219)
General Expenses	28	(21 390 584)	(16 868 977)
Total expenditure		(197 482 379)	(174 207 501)
Operating deficit	29	(8 030 067)	(12 098 862)
Deficit for the year		(8 030 067)	(12 098 862)
Attributable to:			
Owners of the controlling entity		(8 030 067)	(12 098 862)

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Capital replacement reserve	Accumulated surplus	Total net assets
Balance at 01 July 2011	1 500 000	323 854 184	325 354 184
Changes in net assets			
Surplus for the year	-	(12 098 862)	(12 098 862)
Transfer to accumulated surplus	(1 500 000)	1 500 000	-
Total changes	(1 500 000)	(10 598 862)	(12 098 862)
Opening balance as previously reported	-	313 255 322	313 255 322
Adjustments			
Correction of errors	-	(1 933 671)	(1 933 671)
Balance at 01 July 2012 as restated	-	311 321 651	311 321 651
Changes in net assets			
Surplus for the year	-	(8 030 067)	(8 030 067)
Total changes	-	(8 030 067)	(8 030 067)
Balance at 30 June 2013	-	303 291 584	303 291 584

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		174 266 337	28 606 347
Sale of goods and services		-	63 485 773
Grants		37 100 750	57 020 368
Interest income		2 415 941	1 940 455
Other receipts		-	22 272 561
		213 783 028	173 325 504
Payments			
Employee costs		(66 649 607)	(54 261 417)
Suppliers		(127 841 840)	(96 063 653)
Finance costs		(10 049 375)	(3 751 177)
		(204 540 822)	(154 076 247)
Net cash flows from operating activities		9 242 206	21 606 061
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(21 547 634)	(22 861 617)
Purchase of other intangible assets	5	(135 901)	(26 555)
(Increase) / decrease in of long term receivables		(135 357)	(358 630)
Net cash flows from investing activities		(21 818 892)	(23 246 802)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in liabilities		7 091 539	(1 699 827)
Finance lease payments		15 001	817 865
Net cash flows from financing activities		7 106 540	(881 962)
Net increase/(decrease) in cash and cash equivalents		(5 470 146)	(2 522 703)
Cash and cash equivalents at the beginning of the year		17 560 801	20 083 504
Cash and cash equivalents at the end of the year	14	12 090 655	17 560 801

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise

The annual financial statements have been prepared in accordance with the with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The standards are summarised as follows:

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

REFERENCE	TOPIC
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1 (Revised)	Presentation of Financial Statements
GRAP 2 (Revised)	Cash Flow Statements
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 8	Interests in Joint Ventures
GRAP 9 (Revised)	Revenue from Exchange Transactions
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics
GRAP 11 (Revised)	Construction Contracts
GRAP 12 (Revised)	Inventories
GRAP 13 (Revised)	Leases
GRAP 14 (Revised)	Events after the reporting date
GRAP 16 (Revised)	Investment Property
GRAP 17 (Revised)	Property, Plant and Equipment
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 (Revised)	Non-current Assets Held for Sale and Discontinued Operations
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distribution of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IPSAS 20	Related Party Disclosure
IFRS 4	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 12	Service Concession Arrangements
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
ASB guide 1	Guideline on Accounting for Public Private Partnerships

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical benefits

The cost of post-retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note to the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 7.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Revenue Recognition

The Accounting Policy on Revenue from Non-Exchange Transactions as well as Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2 INVESTMENT PROPERTY

Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent Measurement – Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property.

Item	Useful life
Property - buildings	30 years

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.2 INVESTMENT PROPERTY (continued)

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.3 PROPERTY, PLANT AND EQUIPMENT

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Infrastructure	
Roads and Paving	10-30
Pedestrian Malls	20
Electricity	20-30
Water	15-20
Sewerage	15-20
Housing	30
Community	

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

Buildings	30
Recreational Facilities	20-30
Security	5
Halls	20-30
Libraries	20-30
Parks and gardens	20-30
Other assets	15-20

Heritage assets

No depreciation

Other

Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	3-7
Furniture and fittings	5-10
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	10-15
Other plant and Equipment	2-5
Landfill sites	2-10
Quarries	25
Emergency equipment	10
Computer equipment	3

Finance lease assets

Office equipment	2-5
Other assets	2-5

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.4 INTANGIBLE ASSETS

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	5
Computer Software Licenses	5

De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.4 INTANGIBLE ASSETS (continued)

Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.5 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement,

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.5 FINANCIAL INSTRUMENTS (continued)

cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

De-recognition

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired? or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.6 TAX

Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.7 LEASES

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.8 INVENTORIES

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.10 EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(e) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.10 EMPLOYEE BENEFITS (continued)

the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.11 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is:

- a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.12 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.12 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue..

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.14 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.15 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 PRESENTATION OF CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.19 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.20 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.21 RESERVES

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The funds in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.21 RESERVES (continued)

Revaluation reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.22 FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.23 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.24 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.25 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.26 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.27 CAPITAL COMMITMENTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

1.29 PRESENTATION OF BUDGET INFORMATION

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

ACCOUNTING POLICIES

1.30 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2013

2012

2. NEW STANDARDS AND INTERPRETATIONS

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;

Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;

Defined benefit plans as post-employment benefit plans other than defined contribution plans;

Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:

- pool the assets contributed by various entities that are not under common control; and
- use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;

Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;

Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;

Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;

Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;

State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;

Termination benefits as employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits;

Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

Short-term employee benefits;

- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;

Post-employment benefits: Defined contribution plans;

Other long-term employee benefits;

Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

Multi-employer plans;

Defined benefit plans where the participating entities are under common control;

State plans;

Composite social security programmes;

Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

Recognition and measurement;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Presentation;
Disclosure;
Accounting for the constructive obligation;
Statement of financial position;
Asset recognition ceiling;
Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
Statement of financial performance.

The standard prescribes recognition and measurement for:

Present value of defined benefit obligations and current service cost:

- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;
- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost.

Plan assets:

- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2013.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,

The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102, Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

Graphical design development – includes designing the appearance of web pages.

Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
the appropriate accounting treatment of such expenditure.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

3. INVESTMENT PROPERTY

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	372 000	(106 655)	265 345	372 000	(95 558)	276 442

Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	276 442	(11 097)	265 345

Reconciliation of investment property - 2012

	Opening balance	Depreciation	Total
Investment property	287 539	(11 097)	276 442

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2013

2012

4. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure	389 097 541	(58 330 453)	330 767 088	371 815 573	(46 513 014)	325 302 559
Community	42 748 046	(8 071 441)	34 676 605	39 057 288	(6 829 537)	32 227 751
Land & Buildings	15 778 009	(2 449 331)	13 328 678	15 778 009	(2 146 896)	13 631 113
Leased Assets	1 653 992	(1 232 947)	421 045	1 638 992	(919 759)	719 233
Loose assets	14 342 312	(7 802 180)	6 540 132	13 782 404	(5 889 313)	7 893 091
Total	463 619 900	(77 886 352)	385 733 548	442 072 266	(62 298 519)	379 773 747

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Infrastructure	325 302 559	17 281 968	(11 817 439)	330 767 088
Community	32 227 751	3 690 758	(1 241 904)	34 676 605
Land & Buildings	13 631 113	-	(302 435)	13 328 678
Leased assets	719 233	15 000	(313 188)	421 045
Loose assets	7 893 091	559 908	(1 912 867)	6 540 132
	379 773 747	21 547 634	(15 587 833)	385 733 548

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Infrastructure	317 250 509	18 181 004	-	(10 128 954)	325 302 559
Community	30 191 311	3 278 344	-	(1 241 904)	32 227 751
Land & Buildings	13 916 550	16 999	-	(302 436)	13 631 113
Leased assets	691 089	452 941	(52 219)	(372 578)	719 233
Loose assets	8 733 793	932 329	-	(1 773 031)	7 893 091
	370 783 252	22 861 617	(52 219)	(13 818 903)	379 773 747

Assets subject to finance lease (Net carrying amount)

Leased Assets	421 045	719 233
---------------	---------	---------

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

5. INTANGIBLE ASSETS

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	180 468	(34 662)	145 806	44 567	(9 023)	35 544

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intangible assets	35 544	135 901	(25 639)	145 806

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Intangible assets	14 922	26 555	(5 933)	35 544

6. OPERATING LEASE ASSET (ACCRUAL)

Reconciliation

Balance at the beginning of the year	239 320	271 662
Movement during the year	31 862	(32 342)
	271 182	239 320

This operating lease income was determined from contracts that have a specific condition income and does not include leases which has an undetermined conditional income.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 year	192 098	404 904
1 to 5 years	587 833	783 668
More than 5 years	136 396	4 263
	916 327	1 192 835

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

7. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

The Post Retirement Health Care Benefit Plan is a defined benefit plan. The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
LA Health
Hosmed
Fed Health
Key Health and
SAMWU Medical Aid

Post retirement medical aid plan

The Plan has the following membership breakdown and plan liability respectively:

Membership

In-service (employee) members	87	69
Continuations members e.g retirees, widows, orphans	8	8
	95	77

Estimated plan liability

In-service members	12 121 000	12 327 382
Continuation members	3 792 000	3 154 021
	15 913 000	15 481 403

Other defined benefit pension funds

The amounts recognised in the statement of financial position are as follows:

Carrying value

Short fall in Cape Joint Pension Fund	(302 338)	(302 338)
Provision of Post Retirement Health Care Benefits	(15 913 403)	(15 481 403)
	(16 215 741)	(15 783 741)
Non-current liabilities	(15 913 403)	(15 295 547)
Current liabilities	(302 338)	(488 194)
	(16 215 741)	(15 783 741)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	17 513 245	13 449 561
Contributions by plan participants	1 162 400	1 025 637
Interest cost	1 254 300	1 181 025
Expenditure for the year	(219 000)	(171 751)
Actuarial Loss / (Gain)	(1 765 700)	(3 069)
Net expense recognised in the statement of financial performance	432 000	2 031 842
	18 377 245	17 513 245

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 162 400	1 025 637
Interest cost	1 254 300	1 181 025
Actuarial (gains) losses	(1 765 700)	(3 069)
Benefits paid	(219 000)	(171 751)
	432 000	2 031 842

Calculation of actuarial gains and losses

Key assumptions used

Actuarial assumptions used at the reporting date:

Discount rates	7.89 %	8.15 %
Consumer price inflation	6.14 %	5.09 %
Retirement take-up assumption	100.00 %	90.00 %
Health care cost inflation rate	7.14 %	6.84 %
Net effective discount rate	0.70 %	1.23 %

The mortality rates used - the PA 90 ultimate table was rated down by 1 year of age by the actuaries.

The normal retirement age for municipal employees is 60 years.

Other assumptions

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. Therefore the assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2 508 000	1 747 000
Effect on defined benefit obligation	18 806 000	13 608 000

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Defined contribution plan

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

The contribution plans are a Multi-Employer Funds and as such are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for these plans as a defined benefit plans. The municipality accounted for these plans as a defined contribution plans:

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 98.1% (30 June 2010 - 100%). Since the fund's financial year end at 30 June 2009, its actuary had been investigating the investment return for the past financial year. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The pro-rata portion owed by the Municipality was calculated at R302 337,74 in 2012.

Recognised in the Statement of Financial Performance

Contributions for the year	20 610	19 111
Short fall on the Cape Joint Pension Fund	-	34 317
	20 610	53 428

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116,9% (30 June 2010 - 100,3%).

Contributions for the year

Recognised in the Statement of Financial Performance	1 023 825	587 286
------------------------------------------------------	-----------	---------

OTHER DEFINED CONTRIBUTION FUNDS

Contributions paid recognised in the Statement of Financial Performance

Sanlam Funds	542 577	485 839
Optimum	70 192	60 701
SAMWU National Provident Fund	3 819 006	3 497 288
	4 431 775	4 043 828

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
8. LONG TERM RECEIVABLES		
Total receivables (Current and non-current)		
Housing loans	56 674	36 512
Eskom Loans	-	435 101
Receivables with repayment arrangement	1 993 239	3 320 218
Unwinding discount charge on the Eskom loan due to amortisation	-	(47 016)
Transferred to short term - receivable with repayment arrangement	(879 350)	(1 077 678)
Transferred to short term - Housing loans (exchange receivables)	(56 269)	(35 570)
Transferred to short term - Eskom loan (exchange receivables)	-	(30 396)
Provision for doubtful debtors	(620 307)	(2 242 541)
	493 987	358 630

9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Unspent Grants

National Government Grants	-	3 081 037
Provincial Government Grants	-	312
Less provision for impairment of unpaid National Government Grants	-	(1 895 416)
	-	1 185 933

10. INVENTORIES

Consumable stores - stationery and materials at cost	1 012 144	1 356 866
Water - at purification cost	47 973	47 973
	1 060 117	1 404 839

Inventory write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	49 714	30 216
------------------------------------------------------------------------------------	--------	--------

Consumable stores materials written down due to losses as identified during the annual stores counts.	302 451	294 964
-------------------------------------------------------------------------------------------------------	---------	---------

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Provision for doubtful debts	(7 739 462)	(10 426 943)
Taxes - rates	12 938 151	12 324 400
Other receivables from non-exchange revenue	2 341 187	3 032 746
	7 539 876	4 930 203

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

Receivables (rates) from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 5 564 897 (2012: R 11 991 886) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3 716 156	976 865
2 months past due	337 782	556 753
3 months past due	333 872	390 356
More than 90 days due	8 916 549	10 067 912
Rates debtors' transferred to long term receivables	(366 208)	620 891
Other receivables from non-exchange revenue (other than rates)	2 299 340	3 032 746
Provision for doubtful debtors on rates	(7 739 462)	(10 426 943)

Receivables from non-exchange transactions impaired

As of 30 June 2013, other receivables from non-exchange transactions of R 7 739 462 (2012: R 10 426 943) were impaired and provided for.

The amount of the provision was R 7 739 462 as of 30 June 2013 (2012: R 10 426 943).

The ageing of these loans is as follows:

1 to 3 months	113 843	153 374
Over 3 months	7 625 619	10 273 569

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	10 426 943	8 238 919
Provision for impairment	-	2 217 088
Amounts written off as uncollectible	-	(29 064)
Change in assumptions	(2 687 481)	-
	7 739 462	10 426 943

Debtors with a total outstanding balance of R565 057 (2012 - R953 403) have arranged to settle their account over a re-negotiated period. Total payments to the value of R366 208 (2012 - R 620 891) have been deferred beyond 12 months after year end and subsequently included as part of long term receivables.

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

12. VAT RECEIVABLE

Value Added Tax receivable (payable)	9 237 573	-
--------------------------------------	-----------	---

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
12. VAT RECEIVABLE (continued)		
VAT reconciliation		
Total on the VAT account	9 237 573	-
13. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONSUMER DEBTORS)		
Gross balances		
Electricity	11 337 136	4 394 479
Water	10 528 744	9 425 808
Sewerage	3 185 745	2 929 085
Refuse	7 324 533	6 792 051
Other	6 138 341	5 638 881
	38 514 499	29 180 304
Less: Allowance for impairment		
Electricity	(6 400 278)	(3 853 670)
Water	(5 945 371)	(8 265 816)
Sewerage	(1 798 985)	(2 568 616)
Refuse	(4 136 794)	(5 956 184)
Other	(2 779 748)	(3 980 301)
	(21 061 176)	(24 624 587)
Net balance		
Electricity	4 936 858	540 809
Water	4 583 373	1 159 992
Sewerage	1 386 760	360 469
Refuse	3 187 739	835 867
Other	3 358 593	1 658 580
	17 453 323	4 555 717
Electricity		
Current (0 -30 days)	4 534 086	2 522 230
31 - 60 days	805 854	301 046
61 - 90 days	735 208	104 042
> 90 days	5 320 547	1 467 161
Transferred to long term receivables	(58 558)	-
Provision for doubtful debtors	(6 400 279)	(3 853 670)
	4 936 858	540 809
Water		
Current (0 -30 days)	2 906 403	718 846
31 - 60 days	490 094	460 336
61 - 90 days	472 007	447 844
> 90 days	7 072 189	7 798 782
Transferred to long term receivables	(411 948)	-
Provision for doubtful debtors	(5 945 372)	(8 265 816)
	4 583 373	1 159 992

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
13. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONSUMER DEBTORS) (continued)		
Sewerage		
Current (0 -30 days)	1 049 461	372 044
31 - 60 days	80 752	138 490
61 - 90 days	88 229	76 019
> 90 days	2 100 769	2 342 532
Transferred to long term receivables	(133 465)	-
Provision for doubtful debtors	(1 798 986)	(2 568 616)
	1 386 760	360 469
Refuse		
Current (0 -30 days)	2 225 506	574 874
31 - 60 days	177 418	256 727
61 - 90 days	181 198	170 558
> 90 days	4 784 520	5 789 892
Transferred to long term receivables	(44 109)	-
Provision for doubtful debtors	(4 136 794)	(5 956 184)
	3 187 739	835 867
Other debtors		
Current (0 -30 days)	2 612 875	201 555
31 - 60 days	74 361	120 174
61 - 90 days	88 879	113 174
> 90 days	3 462 231	5 203 978
Transferred to long term receivables	(100 005)	-
Provision for doubtful debtors on all exchange debtors	(2 779 748)	(3 980 301)
	3 358 593	1 658 580
Reconciliation of the provision for doubtful debtors		
Balance at beginning of the year	(24 624 587)	(20 238 920)
Contributions to allowance	4 704 560	(4 219 826)
VAT on provision	-	579 334
Provision on Current Receivables with repayment arrangement	(1 141 149)	(745 175)
	(21 061 176)	(24 624 587)

Consumer debtors impaired

The amount of the provision was R 21 061 176 as of 30 June 2013 (2012: R 24 624 589).

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
14. CASH AND CASH EQUIVALENTS (continued)		
Cash on hand	19 630	19 630
Current account	901 044	2 776 504
Call investment deposits	11 169 981	14 764 667
	12 090 655	17 560 801

The municipality had the following bank accounts

Account number / description		
ABSA Bank Limited - Account Number 9270778034 (Library)	233 595	772 000
ABSA Bank Limited - Account Number 9249138970 (FMG)	107 816	197 668
ABSA Bank Limited - Account Number 9233473372 (Land Sales)	1 000	1 000
ABSA Bank Limited - Account Number 9233471702 (MIG)	7 351 269	9 954 277
ABSA Bank Limited - Account Number 9233473306 (Housing)	1 972 734	2 352 238
ABSA Bank Limited - Account Number 9233472871 (DME)	61 465	1 369 148
ABSA Bank Limited - Account Number 9255092704 (NDFT)	550 000	100 000
ABSA Bank Limited - Account Number 9249915702 (MSIG)	99 468	18 337
ABSA Bank Limited - Account Number 9270780013 (EPWP)	792 635	-
ABSA Bank Limited - Account Number 4052704442 (PRIMARY ACCOUNT)	901 044	2 776 504
	12 071 026	17 541 172

15. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	337 504	471 040
- in second to fifth year inclusive	369 755	692 827
- later than five years	-	-
	707 259	1 163 867
less: future finance charges	(189 589)	(346 002)
Present value of minimum lease payments	517 670	817 865
Non-current liabilities	591 098	504 399
Current liabilities	241 768	313 466
	832 866	817 865

The capitalised lease liability consist of the following contracts:

Supplier	Description of leased asset	Effective interest rate	Annual escalation	Lease term	Maturity date
Smart	C Track CX15 Assists	7%	0%	5 years	31 August 2012
Nashua	Photocopiers	28%	0%	5 years	30 June 2017
VodaCom	Cell phones and data bundles	9%	0%	2 years	31 May 2014

Defaults and breaches

Hire purchase and leases are secured by property, plant and equipment.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
DWAF Funding	455 368	172 563
Tourism	36 558	36 558
District Municipality	540 670	540 670
DME electrification	(11 775 863)	1 207 322
Housing Grant	3 854 759	1 758 596
District Municipality - World Cup 2010	52 139	52 139
DWAF Drought Relief Grant	(138 252)	(138 252)
Sport Development Grant	308 500	308 500
District Municipality - Fire equipment	52 264	52 264
Taxi Rank Grant	(312)	(312)
Municipal Systems Improvement Grant (MSIG)	5 176	(604 663)
Library Grant	705 511	766 754
EPWP Grant	(414 231)	-
Local Government Financial Management Grant (FMG)	(440 199)	(442 706)
Municipal Infrastructure Grant (MIG)	12 824 404	10 842 436
	6 066 492	14 551 869

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2013

2012

17. PROVISIONS

Reconciliation of provisions - 2013

	Opening Balance	Additions	Change in provision for rehabilitation cost	Paid or used during the year	Total
Environmental rehabilitation	10 626 662	-	5 977 978	-	16 604 640
Staff leave	3 377 522	1 931 470	-	(344 707)	4 964 285
Staff bonus	1 307 169	2 774 315	-	(2 733 082)	1 348 402
Long service award obligation	2 652 000	291 000	-	-	2 943 000
	17 963 353	4 996 785	5 977 978	(3 077 789)	25 860 327

Reconciliation of provisions - 2012

	Opening Balance	Additions	Change in provision for rehabilitation cost	Expenditure incurred during the year	Total
Environmental rehabilitation	10 264 088	962 464	(599 890)	-	10 626 662
Staff leave	2 459 569	1 019 705	-	(101 752)	3 377 522
Staff bonus	889 741	2 683 351	-	(2 265 923)	1 307 169
Long service award obligation	2 121 000	531 000	-	-	2 652 000
	15 734 398	5 196 520	(599 890)	(2 367 675)	17 963 353

Non-current liabilities	19 547 640	13 278 662
Current liabilities	6 312 687	4 684 691
	25 860 327	17 963 353

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. A pre-tax rate of 6%, reflecting the current market assessments of the time value of money and risks specific to the liability, were used. Total cost and estimated date of decommission of the sites are as follows:

2013

	Estimated decommission date	Estimated cost
Bergsig	2023	5 247 624
Nababeep	2020	1 680 665
Steinkopf	2023	3 411 726
Kamaggas	2018	1 533 795
Concordia	2020	1 064 640
Bulletrap	2020	431 585
Rooiwal	2011	2 460 425
Violsdrif	2011	774 180
		16 604 640

2012

	Estimated decommission date	Estimated cost
Bergsig	2020	2 431 785
Nababeep	2020	765 770

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
17. PROVISIONS (continued)		
Steinkopf	2020	2 513 176
Kamaggas	2015	1 068 305
Concordia	2020	456 287
Bulletrap	2020	247 814
Rooiwal	2011	2 435 125
Vioolsdrif	2011	708 400
		10 626 662

Staff leave provision

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff bonus provision

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Long service award obligation

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. Long service benefits are awarded in the form of leave days and a percentage of salary. Awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

Long service award obligation reconciliation

Opening balance	2 652 000	2 121 000
Current service cost	262 000	212 000
Interest cost	211 000	179 000
Benefits paid	(378 000)	(247 000)
Actuarial loss (gain)	196 000	387 000
	2 943 000	2 652 000

18. UNSPENT CONDITIONAL PUBLIC CONTRIBUTIONS AND RECEIPTS

This grant was used for groundwater investigations in the Buffelsrivier area.

Opening balance	40 362	40 362
-----------------	--------	--------

19. CONSUMER DEPOSITS

Water	952 712	887 769
Electricity	495 405	495 366
	1 448 117	1 383 135

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

20. LONG TERM LOAN

Annuity Loans - At Amortised Cost	5 017 871	6 574 558
Current portion transferred to Current Liabilities	(2 158 268)	(1 549 028)
	2 859 603	5 025 530

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

20. LONG TERM LOAN (continued)

The municipality holds a number of loans with the Development Bank of Southern Africa (DBSA). The loans have varied repayment terms as well as interest rates.

Minimum future payments on annuity loans

Payable within 1 year	2 158 268	1 549 028
Payable within 2 to 5 years	2 859 603	5 025 530
Payable after 5 years	-	-
	5 017 871	6 574 558

21. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	69 782 481	32 275 670
Other creditors	4 973 553	3 671 598
Estimated electricity consumption	150 987	2 623 123
Retentions	569 774	569 774
Deposits- other	30 936	30 148
	75 507 731	39 170 313

Payables are being recognised net of any discounts.

Most payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Builders and Housing Deposits.

22. VAT PAYABLE

Tax refunds payables	-	780 657
VAT reconciliation		
VAT refundable	-	(728 280)
VAT input	-	4 357 217
VAT output	-	(4 409 594)
	-	(780 657)

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
23. REVENUE		
Service charges	95 274 269	69 656 844
Rental of facilities and equipment	2 041 159	890 201
Income from agency services	1 162 730	1 096 664
Licences and permits	1 120 706	1 120 091
Miscellaneous other revenue	739 009	596 779
Discount received	-	6 493
Other income	3 520 066	2 891 954
Interest received - investment	2 415 941	1 940 455
Property rates	21 143 179	22 194 992
Government grants & subsidies	60 333 446	62 003 341
Fines	132 107	94 756
Actuarial profit	1 569 700	(383 931)
	189 452 312	162 108 639

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	95 274 269	69 656 844
Rental of facilities and equipment	2 041 159	890 201
Income from agency services	1 162 730	1 096 664
Licences and permits	1 120 706	1 120 091
Miscellaneous other revenue	739 009	596 779
Discount received	-	6 493
Other income	3 520 066	2 891 954
Interest received - investment	2 415 941	1 940 455
	106 273 880	78 199 481

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	21 143 179	22 194 992
----------------	------------	------------

Transfer revenue

Government grants & subsidies	60 333 446	62 003 341
Fines	132 107	94 756
Actuarial gain	1 569 700	(383 931)
	83 178 432	83 909 158

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

24. PROPERTY RATES

Rates received

Property rates	21 143 179	22 194 992
----------------	------------	------------

Valuations

Residential	419 116 478	1 419 116 478
Commercial	416 835 328	416 835 328
State	23 349 345	23 349 345
Municipal	10 121 773	10 121 773
Small holdings and farms	561 342 440	561 342 440
	430 765 364	430 765 364

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments. The basic rates are as follows:

Heading

Residential	1.362c/R
Commercial	1.416c/R
Agricultural	0.3405c/R
State	1.416c/R

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential and Commercial	The first R15 000 on the valuation is exempted.
Indigents	33.33 %
Pensioners	33.33 %
Commercial Farmers - Agricultural Land	33.33 %
Government	20%

25. SERVICE CHARGES

Sale of electricity	60 365 024	40 055 926
Sale of water	21 008 291	17 837 253
Sewerage and sanitation charges	5 927 148	5 321 540
Refuse removal	7 973 806	6 442 125
	95 274 269	69 656 844

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

26. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	32 468 000	28 625 000
Other grants	27 865 446	33 378 341
	60 333 446	62 003 341

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	28 065 446	33 378 341
Unconditional grants received	32 468 000	28 625 000
	60 533 446	62 003 341

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

DWAF - WSACDBP

Balance unspent at beginning of year	172 563	510 747
Current-year receipts	4 275 073	669 487
Conditions met - transferred to revenue (operating)	-	(177 090)
Conditions met - transferred to revenue (capital)	(3 992 268)	(830 581)
	455 368	172 563

Conditions still to be met - remain liabilities (see note 16).

Tourism

Balance unspent at beginning of year	36 558	-
Current-year receipts	-	730 000
Inter-set	-	1 482
Conditions met - transferred to revenue operating	-	(694 924)
	36 558	36 558

Conditions still to be met - remain liabilities (see note 16).

The grant was used for tourism activities.

District Municipality - Various Projects

Balance unspent at beginning of year	540 670	906 821
Conditions met - transferred to revenue (capital)	-	(366 151)
	540 670	540 670

Conditions still to be met - remain liabilities (see note 16).

The grant was used for various projects in the Nama Khoi jurisdiction.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

26. GOVERNMENT GRANTS AND SUBSIDIES (continued)

DME: Electrification

Balance unspent at beginning of year	1 207 322	3 580 198
Current-year receipts	1 000 000	7 156 000
Conditions met - transferred to revenue (operating)	(872 454)	-
Paid to National Revenue Fund	(3 500 000)	-
Conditions met - transferred to revenue (capital)	-	(10 714 810)
Unpaid grant	-	1 185 934
Provision for debt impairment	(9 610 731)	-
	(11 775 863)	1 207 322

Conditions still to be met - remain liabilities (see note 16).

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

Housing Grant

Balance unspent at beginning of year	1 758 596	5 490 962
Current-year receipts	3 359 266	5 115 638
Conditions met - transferred to revenue (operating)	(1 713 103)	(8 848 004)
Adjustment to opening balance	450 000	-
	3 854 759	1 758 596

Conditions still to be met - remain liabilities (see note 16).

The Housing grant was utilised for the development of erven and the erection of top structures.

District Municipality - World Cup 2010

Balance unspent at beginning of year	52 139	52 139
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 16).

The grant was used to finance World Cup 2010 activities.

DWAF - Drought Relief Grant

Balance unspent at beginning of year	(138 252)	(88 188)
Conditions met - transferred to revenue (operating)	-	(50 064)
	(138 252)	(138 252)

Conditions still to be met - remain liabilities (see note 16).

The grant was used for drought relief for emerging farmers.

Sport Development Grant

Balance unspent at beginning of year	308 500	308 500
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 16).

The grant was used to upgrade sportfields.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

26. GOVERNMENT GRANTS AND SUBSIDIES (continued)

District Municipality - Fire Equipment

Balance unspent at beginning of year	52 264	4 503
Current-year receipts	-	47 761
	52 264	52 264

Conditions still to be met - remain liabilities (see note 16).

The grant was used to upgrade fire equipment.

Project Nala Grant

Balance unspent at beginning of year	-	400 000
Conditions met - transferred to revenue	-	(611 253)
Provision for debt impairment	-	211 253
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was used for various projects.

Taxi Rank Grant

Balance unspent at beginning of year	(312)	(312)
--------------------------------------	-------	-------

Conditions still to be met - remain liabilities (see note 16).

The grant was used to build a taxi rank.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	(604 663)	1 456
Current-year receipts	800 000	790 000
Repaid to National Revenue Fund	-	(622 000)
Conditions met - transferred to revenue (operating)	(794 824)	(634 303)
Conditions met - transferred to revenue (capital)	-	(139 816)
Adjustment to opening balance	604 663	-
	5 176	(604 663)

Conditions still to be met - remain liabilities (see note 16).

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Library Grant

Balance unspent at beginning of year	766 754	533 160
Current-year receipts	588 000	772 000
Conditions met - transferred to revenue (Operating)	(607 569)	(530 547)
Conditions met - transferred to revenue (capital)	(41 674)	(7 859)
	705 511	766 754

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

26. GOVERNMENT GRANTS AND SUBSIDIES (continued)

Conditions still to be met - remain liabilities (see note 16).

The grant was used for library activities.

EPWP Grant

Balance unspent at beginning of year	-	738 122
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue (operating)	(748 411)	(2 422 285)
Conditions met - transferred to revenue (capital)	(665 820)	-
Provision for debt impairment	-	1 684 163
	(414 231)	-

Conditions still to be met - remain liabilities (see note 16).

The EPWP Grant was used for job creation.

Local Government Financial Management Grant (FMG)

Balance unspent at beginning of year	(442 706)	(217 839)
Current-year receipts	1 500 000	1 450 000
Repaid to National Revenue Fund	-	(446 000)
Conditions met - transferred to revenue (Operating)	(1 497 493)	(1 228 867)
	(440 199)	(442 706)

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	10 842 436	4 233 223
Current-year receipts	16 088 000	13 263 000
Repaid to National Revenue Fund	(3 778 000)	(532 000)
Conditions met - transferred to revenue (capital)	(10 328 032)	(6 121 787)
	12 824 404	10 842 436

Conditions still to be met - remain liabilities (see note 16).

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

27. OTHER REVENUE

Discount received	-	6 493
Sundry income	3 520 066	2 891 954
	3 520 066	2 898 447

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
28. GENERAL EXPENSES		
Advertising	285 604	355 457
Auditors remuneration	2 816 723	1 449 521
Bank charges	511 222	423 166
Cleaning	189 514	181 343
Commission paid	353 309	348 465
Consulting and professional fees	1 492 546	590 518
Entertainment	16 780	2 394
Fines and penalties	-	46 451
Animal Costs	16 096	21 022
Insurance	443 126	510 167
Community development and training	-	166 237
Conferences and seminars	2 570	16 945
Lease rentals on operating lease	236 660	222 944
Magazines, books and periodicals	-	33 848
Medical expenses	40 934	30 384
Fuel and oil	3 623 258	3 301 971
Placement fees	67 075	100 663
Postage and courier	518 539	502 697
Printing and stationery	344 021	425 878
Royalties and license fees	707 369	172 422
Security (Guarding of municipal property)	222 958	18 580
Staff welfare	117 728	155 066
Subscriptions and membership fees	517 904	270 003
Telephone and fax	2 175 662	1 224 900
Training	253 654	815 834
Travel - local	1 890 707	1 556 009
Refuse	30 357	157 333
Assets expensed	31 192	11 080
Electricity	1 618 737	1 733 142
Audit committee expense	308 559	188 087
Other expenses	2 507 436	1 695 041
Ward meetings	-	19 477
Test station	50 344	121 932
	21 390 584	16 868 977

29. OPERATING DEFICIT

Operating deficit for the year is stated after accounting for the following:

Operating lease charges

Equipment		
Contractual amounts	236 660	222 944
Loss on sale of property, plant and equipment	-	(52 219)
Impairment on trade and other receivables	962 540	8 355 596
Amortisation on intangible assets	25 639	5 934
Depreciation on property, plant and equipment	15 587 835	13 446 326
Depreciation on investment property	11 097	11 097
Employee costs	66 649 607	57 789 560

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
30. EMPLOYEE RELATED COSTS		
Basic	37 022 553	34 451 481
Bonus	3 138 538	2 495 755
Medical aid - company contributions	1 114 485	1 187 879
UIF	390 901	331 519
Leave pay provision charge	1 938 455	996 297
Short term benefit	1 162 400	1 025 637
Post-employment benefits - Pension - Defined contribution plan	5 491 249	4 650 225
Travel, motor car, accommodation, subsistence and other allowances	5 042 289	3 823 170
Overtime payments	2 610 139	2 178 985
Long-service awards	298 403	212 000
Housing benefits and allowances	310 402	288 577
Termination benefits	(378 000)	(247 000)
	58 141 814	51 394 525

Remuneration of municipal manager

Annual Remuneration (Basic)	679 752	407 640
Car Allowance	132 000	95 000
Performance Bonuses	-	17 532
Contributions to UIF, Medical and Pension Funds and SALGA	124 115	74 535
Bonus	56 646	10 064
Telephone allowance	-	13 579
Severance package	-	160 000
	992 513	778 350

Remuneration of chief finance officer

Annual Remuneration	638 194	78 058
Car Allowance	160 000	10 000
Back pay	7 666	-
Contributions to UIF, Medical and Pension Funds	13 483	129
	819 343	88 187

Corporate and human resources (corporate services)

Annual Remuneration	530 260	138 497
Car Allowance	96 000	24 000
Contributions to UIF, Medical and Pension Funds	107 032	387
Annual bonus	96 017	-
Back pay	3 142	-
	832 451	162 884

Mayor - SW Lubbe

Annual package	518 233	-
----------------	---------	---

Mayor - WT Cloete

Annual package	111 483	630 735
----------------	---------	---------

Speaker - JC Losper

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
30. EMPLOYEE RELATED COSTS (continued)		
Annual package	548 892	508 356
31. REMUNERATION OF COUNCILLORS		
Councillors	4 684 878	4 226 523
32. INVESTMENT REVENUE		
Interest revenue		
Bank	763 935	717 853
Interest charged on trade and other receivables	1 652 006	1 222 602
	2 415 941	1 940 455
33. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	15 587 835	13 446 326
Investment property	11 097	11 097
Intangible assets	25 639	5 934
	15 624 571	13 463 357
34. IMPAIRMENT OF ASSETS		
Impairments		
Inventories	352 165	325 180
Trade and other receivables	962 540	8 355 596
	1 314 705	8 680 776
35. FINANCE COSTS		
Other interest paid	10 049 375	3 751 177
36. AUDITORS' REMUNERATION		
Fees	2 816 723	1 449 521
37. RENTAL OF FACILITIES AND EQUIPMENT		
Facilities and equipment		
Rental of facilities	1 843 601	698 321
Rental agricultural land	197 558	191 880
	2 041 159	890 201
38. CONTRACTED SERVICES		
Other Contractors	614 165	1 329 249

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

39. GRANTS AND SUBSIDIES PAID

Other subsidies

Subsidies paid	4 120 439	9 872 280
----------------	-----------	-----------

40. BULK PURCHASES

Electricity	47 828 307	41 446 054
Water	23 952 872	14 679 815
	71 781 179	56 125 869

41. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

Infrastructure	-	4 764 630
Community	-	2 744 450
	-	7 509 080

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

42. RELATED PARTIES

Relationships

Municipal manager and section 57 managers

NA Baartman
NP Mdaka
J Mapanka

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The outstanding balances are all current and none is impaired.

2013 - Transactions with Councillors

	Rates	Service charges	Other	Outstanding balance
KR Gronewald	2 359	3 234	1 245	447
EF Maritz	3 371	4 397	618	2 901
FX Cupido	2 901	4 628	1 602	740
V Van Dyk	9 048	18 512	-	1 960
S Kleinbooi	1 639	7 561	-	772
G Cloete	3 425	5 650	1 879	1 898
SD Hoskin	67	3 358	-	255
WJ Goedenman	985	1 441	-	68
AM Magerman	-	4 254	-	303
SJC van Wyk	804	3 753	-	314
JC Losper	8 603	9 192	-	1 288
WT Cloete	860	563	-	-
WS Jordaan	18 864	13 347	-	2 584
GJ Coetzee	1 910	5 991	-	516
	54 836	85 881	5 344	14 046

2013 - Municipal Manager and Section 57 Employees

	Rates	Service charges	Other	Outstanding balance
NA Baartman	5 678	8 685	-	882
M Booysen	931	4 707	-	447
J S Cloete	3 418	6 098	-	636
C Bonn	898	4 333	772	546
A Beukes	17 557	22 949	-	3 023
R Haetley	6 067	7 431	-	1 112
	34 549	54 203	772	6 646

2012 - Transactions with Councillors

	Rates	Service charges	Other	Outstanding balance
KR Groenewald	1 940	1 762	1 280	469
EF Maritz	3 065	2 911	77	519
FX Cupido	2 637	3 906	1 532	899
V van Dyk	8 227	11 393	-	686
S Kleinbooi	1 491	4 506	134	533
G Cloete	3 114	3 314	1 724	685
SD Hoskin	60	1 969	-	142
WJ Goedeman	896	641	77	2 107
AM Magerman	21	2 107	-	177
SJC van Wyk	731	2 038	-	3 037
JC Losper	7 818	7 488	-	1 185
WT Cloete	6 734	2 452	218	907
WS Jordaan	1 751	11 454	-	2 446
GJ Coetzee	1 737	4 644	-	402
	40 222	60 585	5 042	14 194

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

42. RELATED PARTIES (continued)

2012 - Municipal Manager and Section 57 Employees

	Rates	Service charges	Other	Outstanding balance
NA Baartmen	5 162	6 401	-	430
M Booysen	847	2 463	-	293
JS Cloete	3 108	4 265	-	620
	9 117	13 129	-	1 343

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

44. PRIOR PERIOD ERRORS

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality as a result of prior period errors identified in the current year.

The effects of the correction of the errors are as follows:

Statement of financial position

Loose Assets -Accumulated Depreciation	-	(1 104 592)
Loose Assets -Cost	-	(1 621 587)
Unappropriated surplus-Adjustments to loose assets	-	953 148
Investment Property -Accumulated Depreciation	-	(22 193)
Unappropriated surplus -Adjustment to Investment Property	-	11 097
Land and Buildings-Cost	-	(253 021)
Unappropriated surplus/deficit -Adjustment surplus/deficit	-	555 457
Intangible Assets -Accumulated Depreciation	-	(8 159)
Intangible Assets -Cost	-	30 568
Unappropriated surplus/deficit -Adjustment to Intangible Assets	-	28 342
Community Assets -Cost	-	1 154 910
Community Assets -Accumulated Depreciation	-	(2 483 809)
Unappropriated surplus/deficit -Adjustment to Community Assets	-	86 994
Infrastructure Assets -Cost	-	8 343 979
Unappropriated surplus/deficit -Adjustment to Infrastructure Assets	-	(5 379 880)
Annuity Loans	-	(539 300)
Unappropriated surplus -Adjustment to external loans	-	798 482
Eskom deposits (Bulletrap and Skopf)	-	182 578
Sundry debtors (Rigister old)	-	(183 532)

Statement of Financial Performance

Loose Assets- Depreciation	-	1 777 032
Investment properties -Depreciation	-	11 097
Land and Buildings -Depreciation	-	302 436
Intangible Assets -Amortisation	-	5 994
Community Assets -Depreciation	-	1 241 904
Infrastructure Assets -Depreciation	-	9 271 765
Finance costs -External loans	-	(259 182)
Bulk purchases -Electricity	-	(182 578)
Commission paid	-	348 465
Contributions to medical FD (RET STAFF)	-	183 532

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2013

2012

45. RISK MANAGEMENT

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is not exposed to price risk.

46. FINANCIAL INSTRUMENT

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as detailed below:

All financial assets are classified as Financial Instruments at amortised cost with the exception of cash and bank balances which is disclosed kept at fair value.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

46. FINANCIAL INSTRUMENT (continued)

Financial Assets

Long-term Receivables

Housing Loans	56 674	36 512
Eskom Loan	-	435 101
Receivables with repay arrangements	1 993 239	3 320 218
	2 049 913	3 791 831

Receivables from Exchange Transactions

Electricity	11 337 136	4 394 479
Refuse	7 324 533	6 792 051
Sewerage	3 185 745	2 929 085
Water	10 528 744	9 425 808
Other debtors	4 893 733	5 638 881
	37 269 891	29 180 304

Receivables from Non-Exchange Transactions

Rates	12 938 151	12 324 400
Other	2 299 340	3 032 746
	15 237 491	15 357 146

Unpaid Government Grants and Subsidies

National Government Grants	-	11 036 388
Provincial Government Grants	-	28 704 098
District Municipality	-	645 072
	-	40 385 558

Cash and Cash Equivalents

Bank Balances	901 044	2 776 504
Call Deposits	11 169 981	14 764 667
Cash on hand	19 630	19 630
	12 090 655	17 560 801

Long-term Liabilities

All financial liabilities are carried at amortised cost.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

OTHER 3 (continued)

Long-term loan

Annuity Loans	2 859 603	5 025 530
---------------	-----------	-----------

Consumer Deposits

Water	952 712	887 769
Electricity	495 405	495 366
	1 448 117	1 383 135

Trade and Other Payables

Trade Creditors	69 782 483	32 275 672
Sundry Deposits	4 973 553	3 671 598
	74 756 036	35 947 270

Unspent Conditional Grants and Receipts

National Government Grants	5 346 094	11 036 388
Provincial Government Grants	3 391 917	2 870 408
District Municipality Grants	-	645 072
	8 738 011	14 551 868

Current Portion of Long-term Liabilities

Annuity Loans	2 158 268	1 549 028
Capitalised Lease Liability	234 447	313 466
	2 392 715	1 862 494

47. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

48. UNAUTHORISED EXPENDITURE

Opening balance	89 765 621	70 892 256
Unauthorised expenditure - operational	21 085 482	16 923 800
Unauthorised expenditure - capital	-	1 949 565
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
	110 851 103	89 765 621

Refer to annexure H.

49. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	1 841 910	63 067
Fruitless and wasteful expenditure current year	2 077 749	644 923
	3 919 659	707 990

Refer to annexure G.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2013	2012
-----------------	------	------

50. IRREGULAR EXPENDITURE

Opening balance	17 089 438	8 176 407
Add: Irregular Expenditure - current year	7 635 852	8 913 031
	24 725 290	17 089 438

51. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	82 613	241 487
Amount paid - current year	(82 613)	(241 487)
	-	-

Audit fees

Current year subscription / fee	2 816 723	1 449 521
Amount paid - current year	(2 816 723)	(1 449 521)
	-	-

PAYE and UIF

Opening balance	514 696	459 300
Current year payroll deductions	6 739 539	5 725 824
Amount paid - current year	(6 185 371)	(5 670 428)
Amount paid - previous years	(514 696)	-
	554 168	514 696

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription by council	10 846 729	9 355 291
Amount paid - current year	(10 846 729)	(9 355 291)
	-	-

VAT

VAT receivable	9 237 573	-
VAT payable	-	780 657
	9 237 573	780 657

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

52. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2013

2012

53. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.

54. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Type of Deviation	Single supplier	Impractical	Emergency	Value
July	30	36	2	512 142
August	16	56	5	632 558
September	8	30	2	374 125
October	9	36	3	530 986
November	17	41	13	878 728
December	33	22	3	505 231
January	8	31	4	654 975
February	15	34	2	420 888
March	9	33	1	547 147
April	32	48	7	1 175 763
May	23	47	1	910 023
June	4	43	1	493 285
	204	457	44	7 635 851

55. CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

C Zandberg	60 000	60 000
J Carstens	60 000	60 000
JW Nortje	-	34 047
P Lombard	65 000	65 000
	185 000	219 047

Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

56. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

Refer to annexure F.

Appendix A

June 2013

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
61001063	2016/03/31	1 402 654	-	291 832	1 110 822	-	-
61000603	2017/03/01	2 379 212	-	454 003	1 925 209	-	-
61000604	2012/03/01	97 937	-	97 937	-	-	-
61000605	2012/03/01	-	-	-	-	-	-
61002728	2015/06/30	631 299	-	152 102	479 197	-	-
61002729	2015/06/30	746 280	-	170 856	575 424	-	-
61003324	2014/12/31	1 275 065	-	381 226	893 839	-	-
		-	-	-	-	-	-
		6 532 447	-	1 547 956	4 984 491	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		6 532 447	-	1 547 956	4 984 491	-	-

June 2013

Schedule of external loans as at 30 June 2013

- Bonds
- Other loans
- Lease liability
- Annuity loans
- Government loans

June 2013

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and buildings	15 778 009	-	-	-	-	-	15 778 009	(2 146 896)	-	-	(302 435)	-	(2 449 331)	13 328 678
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	15 778 009	-	-	-	-	-	15 778 009	(2 146 896)	-	-	(302 435)	-	(2 449 331)	13 328 678
Infrastructure														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure assets	371 815 573	17 281 968	-	-	-	-	389 097 541	(46 513 014)	-	-	(11 817 439)	-	(58 330 453)	330 767 088
	371 815 573	17 281 968	-	-	-	-	389 097 541	(46 513 014)	-	-	(11 817 439)	-	(58 330 453)	330 767 088
Community Assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	39 057 288	3 690 758	-	-	-	-	42 748 046	(6 829 537)	-	-	(1 241 904)	-	(8 071 441)	34 676 605
	39 057 288	3 690 758	-	-	-	-	42 748 046	(6 829 537)	-	-	(1 241 904)	-	(8 071 441)	34 676 605

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	1 638 992	15 000	-	-	-	1 653 992	(919 759)	-	-	(313 188)	-	(1 232 947)	421 045
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	13 782 404	559 908	-	-	-	14 342 312	(5 889 313)	-	-	(1 912 867)	-	(7 802 180)	6 540 132
	15 421 396	574 908	-	-	-	15 996 304	(6 809 072)	-	-	(2 226 055)	-	(9 035 127)	6 961 177

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	15 778 009	-	-	-	-	-	15 778 009	(2 146 896)	-	-	(302 435)	-	(2 449 331)	13 328 678
Infrastructure	371 815 573	17 281 968	-	-	-	-	389 097 541	(46 513 014)	-	-	(11 817 439)	-	(58 330 453)	330 767 088
Community Assets	39 057 288	3 690 758	-	-	-	-	42 748 046	(6 829 537)	-	-	(1 241 904)	-	(8 071 441)	34 676 605
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	15 421 396	574 908	-	-	-	-	15 996 304	(6 809 072)	-	-	(2 226 055)	-	(9 035 127)	6 961 177
	442 072 266	21 547 634	-	-	-	-	463 619 900	(62 298 519)	-	-	(15 587 833)	-	(77 886 352)	385 733 548
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	44 567	135 901	-	-	-	-	180 468	(9 023)	-	-	(25 639)	-	(34 662)	145 806
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	44 567	135 901	-	-	-	-	180 468	(9 023)	-	-	(25 639)	-	(34 662)	145 806
Investment properties														
Investment property	372 000	-	-	-	-	-	372 000	(95 558)	-	-	(11 097)	-	(106 655)	265 345
	372 000	-	-	-	-	-	372 000	(95 558)	-	-	(11 097)	-	(106 655)	265 345
Total														
Land and buildings	15 778 009	-	-	-	-	-	15 778 009	(2 146 896)	-	-	(302 435)	-	(2 449 331)	13 328 678
Infrastructure	371 815 573	17 281 968	-	-	-	-	389 097 541	(46 513 014)	-	-	(11 817 439)	-	(58 330 453)	330 767 088
Community Assets	39 057 288	3 690 758	-	-	-	-	42 748 046	(6 829 537)	-	-	(1 241 904)	-	(8 071 441)	34 676 605
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	15 421 396	574 908	-	-	-	-	15 996 304	(6 809 072)	-	-	(2 226 055)	-	(9 035 127)	6 961 177
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	44 567	135 901	-	-	-	-	180 468	(9 023)	-	-	(25 639)	-	(34 662)	145 806
Investment properties	372 000	-	-	-	-	-	372 000	(95 558)	-	-	(11 097)	-	(106 655)	265 345
	442 488 833	21 683 535	-	-	-	-	464 172 368	(62 403 100)	-	-	(15 624 569)	-	(78 027 669)	386 144 699

Appendix B

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and buildings	15 761 007	16 999	-	-	-	-	15 778 006	(1 844 461)	-	-	(302 436)	-	(2 146 897)	13 631 109
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	15 761 007	16 999	-	-	-	-	15 778 006	(1 844 461)	-	-	(302 436)	-	(2 146 897)	13 631 109
Infrastructure														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	353 634 570	18 181 003	-	-	-	-	371 815 573	(36 384 060)	-	-	(10 903 625)	-	(47 287 685)	324 527 888
	353 634 570	18 181 003	-	-	-	-	371 815 573	(36 384 060)	-	-	(10 903 625)	-	(47 287 685)	324 527 888
Community Assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	35 778 944	3 278 344	-	-	-	-	39 057 288	(5 587 632)	-	-	(1 241 904)	-	(6 829 536)	32 227 752
	35 778 944	3 278 344	-	-	-	-	39 057 288	(5 587 632)	-	-	(1 241 904)	-	(6 829 536)	32 227 752

Appendix B

June 2013

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets													
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

June 2013

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	15 761 007	16 999	-	-	-	-	15 778 006	(1 844 461)	-	-	(302 436)	-	(2 146 897)	13 631 109
Infrastructure	353 634 570	18 181 003	-	-	-	-	371 815 573	(36 384 060)	-	-	(10 903 625)	-	(47 287 685)	324 527 888
Community Assets	35 778 944	3 278 344	-	-	-	-	39 057 288	(5 587 632)	-	-	(1 241 904)	-	(6 829 536)	32 227 752
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	14 281 117	1 385 270	(244 990)	-	-	-	15 421 397	(4 856 235)	-	-	(2 145 610)	192 771	(6 809 074)	8 612 323
	419 455 638	22 861 616	(244 990)	-	-	-	442 072 264	(48 672 388)	-	-	(14 593 575)	192 771	(63 073 192)	378 999 072
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	44 567	-	-	-	-	-	44 567	(9 023)	-	-	-	-	(9 023)	35 544
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	44 567	-	-	-	-	-	44 567	(9 023)	-	-	-	-	(9 023)	35 544
Investment properties														
Investment property	372 000	-	-	-	-	-	372 000	(95 558)	-	-	-	-	(95 558)	276 442
	372 000	-	-	-	-	-	372 000	(95 558)	-	-	-	-	(95 558)	276 442
Total														
Land and buildings	15 761 007	16 999	-	-	-	-	15 778 006	(1 844 461)	-	-	(302 436)	-	(2 146 897)	13 631 109
Infrastructure	353 634 570	18 181 003	-	-	-	-	371 815 573	(36 384 060)	-	-	(10 903 625)	-	(47 287 685)	324 527 888
Community Assets	35 778 944	3 278 344	-	-	-	-	39 057 288	(5 587 632)	-	-	(1 241 904)	-	(6 829 536)	32 227 752
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	14 281 117	1 385 270	(244 990)	-	-	-	15 421 397	(4 856 235)	-	-	(2 145 610)	192 771	(6 809 074)	8 612 323
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	44 567	-	-	-	-	-	44 567	(9 023)	-	-	-	-	(9 023)	35 544
Investment properties	372 000	-	-	-	-	-	372 000	(95 558)	-	-	-	-	(95 558)	276 442
	419 872 205	22 861 616	(244 990)	-	-	-	442 488 831	(48 776 969)	-	-	(14 593 575)	192 771	(63 177 773)	379 311 055

June 2013

Segmental Statement of Financial Performance for the year ended

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
432 104	10 815 296	(10 383 192)	Executive & Council/Mayor and Council	3 406 498	21 533 102	(18 126 604)
48 383 398	15 640 434	32 742 964	Finance & Admin/Finance	61 804 723	22 622 821	39 181 902
193 930	9 395 446	(9 201 516)	Planning and Development/Economic Development/Plan	1 958 310	12 346 842	(10 388 532)
-	-	-	Health/Clinics	6 128	19 332	(13 204)
1 868 666	4 729 167	(2 860 501)	Comm. & Social/Libraries and archives	1 881 683	6 080 182	(4 198 499)
-	-	-	Housing	-	-	-
2 083 239	3 760 383	(1 677 144)	Public Safety/Police	2 307 383	7 644 418	(5 337 035)
132 636	527 642	(395 006)	Sport and Recreation	5 753 191	245 959	5 507 232
5 462	187 461	(181 999)	Environmental Protection/Pollution Control	-	-	-
10 902 817	13 466 860	(2 564 043)	Waste Water Management/Sewerage	15 167 116	12 170 359	2 996 757
91 464	6 421 069	(6 329 605)	Road Transport/Roads	3 799 642	12 012 675	(8 213 033)
16 954 514	19 854 535	(2 900 021)	Water/Water Distribution	26 924 742	29 406 314	(2 481 572)
39 284 923	38 874 048	410 875	Electricity /Electricity Distribution	69 894 957	54 990 795	14 904 162
-	-	-	Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
120 333 153	123 672 341	(3 339 188)		192 904 373	179 072 799	13 831 574
Municipal Owned Entities						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
Other charges						
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
120 333 153	123 672 341	(3 339 188)	Municipality	192 904 373	179 072 799	13 831 574
-	-	-	Municipal Owned Entities	-	-	-
-	-	-	Other charges	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-

Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended 2012 2013

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
120 333 153	123 672 341	(3 339 188)	Total	192 904 373	179 072 799	13 831 574

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	21 143 179	30 330 437	(9 187 258)	(30.3)	
Service charges	95 274 268	94 980 423	293 845	0.3	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	2 041 158	2 397 123	(355 965)	(14.8)	
Interest received (trading)	2 415 941	-	2 415 941	-	
Dividends received	-	-	-	-	
Income from agency services	1 162 730	1 205 712	(42 982)	(3.6)	
	-	-	-	-	
	-	-	-	-	
Licences and permits	1 120 706	1 253 904	(133 198)	(10.6)	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	739 009	-	739 009	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income	3 520 066	22 773 729	(19 253 663)	(84.5)	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Fines	132 107	423 924	(291 817)	(68.8)	Decrease in fines collected
Actuarial Gains/Losses	1 569 700	-	1 569 700	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	60 333 446	35 432 766	24 900 680	70.3	Capital Grants not included in the budget
Interest received - investment	-	662 514	(662 514)	(100.0)	
Interest received - other	-	1 224 468	(1 224 468)	(100.0)	
Revenue Forgone	-	(1 389 830)	1 389 830	(100.0)	
	189 452 310	189 295 170	157 140	0.1	

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(61 964 730)	(58 855 796)	(3 108 934)	5.3
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(4 684 878)	(4 532 766)	(152 112)	3.4
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(15 624 571)	(7 103 268)	(8 521 303)	120.0
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	(1 314 705)	-	(1 314 705)	-
Reversal of impairments	-	-	-	-
Finance costs	(10 049 375)	(1 504 116)	(8 545 259)	568.1
Debt impairment	-	(2 245 380)	2 245 380	(100.0)
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(5 937 754)	-	(5 937 754)	-
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	(71 781 179)	(66 803 411)	(4 977 768)	7.5
Contracted Services	(614 165)	(500 308)	(113 857)	22.8
Grants and subsidies paid	(4 120 439)	-	(4 120 439)	-
Cost of housing sold	-	-	-	-
General Expenses	(21 390 579)	(28 170 496)	6 779 917	(24.1)
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	(10 740 888)	10 740 888	(100.0)
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(197 482 375)	(180 456 429)	(17 025 946)	9.4
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	200 004	(200 004)	(100.0)

Appendix E(1)

June 2013

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	-	200 004	(200 004)	(100.0)
Net surplus/ (deficit) for the year	(8 030 065)	9 038 745	(17 068 810)	(188.8)

June 2013

Budget Analysis of Capital Expenditure as at 30 June 2010

[illegible]